Massimo Zanetti Beverage Group

FY 2018 Results Presentation

February 28, 2019

MASSIMO ZANETTI
BEVERAGE GROUP

FY 2018 HIGHLIGHTS

- Continuous improvement in channel, product mix
- Slight decrease, at constant FX, of revenues due to:
  - small decline of volume
  - reduction in sales prices as a consequence of the decrease in raw material cost
- Gross Profit (Euro/kg) increased 3% due to the positive impact of the sales mix and lower average cost of raw material
- Ebitda adj in line with last year, excluding FX
- Net income: +9.9%
- Dividend per share proposed: Euro 0.19, up 12% compared with last year

ELU PRODUIT DE L'ANNÉE 2019

MASSIMO ZANETTI BEVERAGE GROUP

FY 2018 RESULTS

- Total revenues: Euro 891.2 million, -3.9% on a comparable basis*
- Volume: 127,300 tons, -1.6%
- Gross Profit: Euro 388.8 million, with the margin on revenues of 43.6%, compared with 41.6% of FY 2017, an increase of +200 basis points
- EBITDA adj: Euro 73.7 million, -1.6%; stable on a comparable basis*
- Net income: Euro 19.9 million, +9.9%
- Net debt: Euro 174.7 million vs 191.0 million as of December 31, 2017

* comparable basis: excluding FX and IFRS 15 impact

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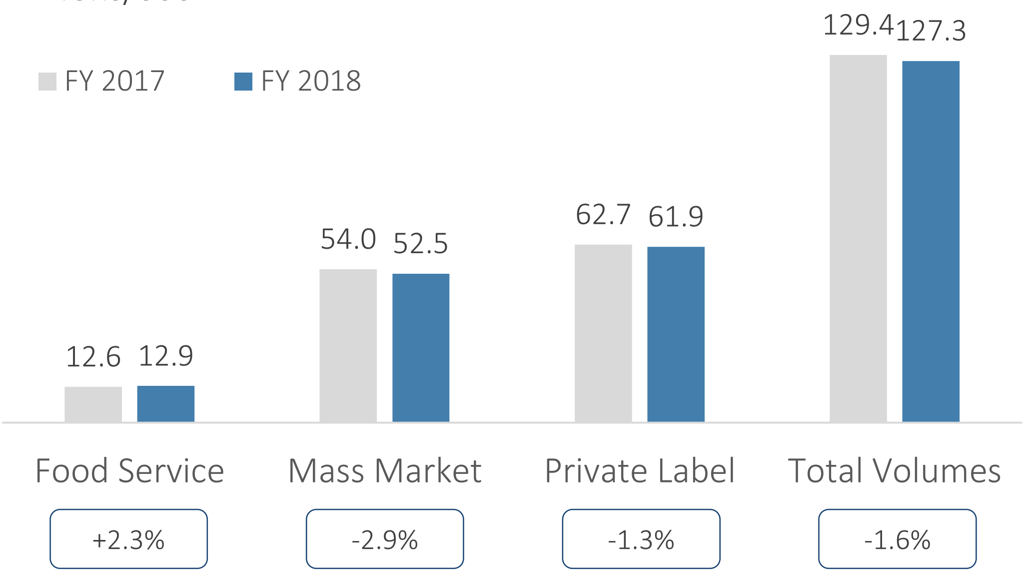
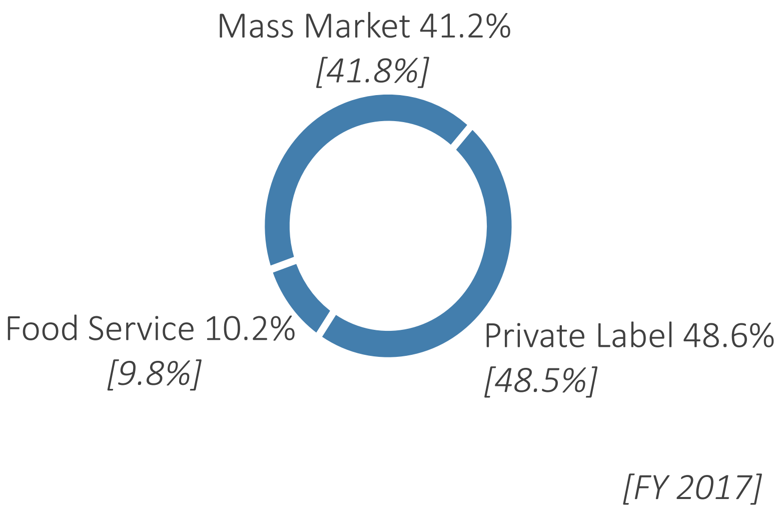
VOLUME BY CHANNEL

Roasted coffee volumes sold by distribution channel
Tons/000





- Food Service: +2.3%, showing a solid growth in the Americas and Apac and a substantially stable performance of Europe
- Mass Market: -2.9%, driven by softness in the Americas, nearly offset by the growth of all other regions
- Private Label: -1.3% mainly led by softness in the QSR (Quick Service Restaurant) category in US

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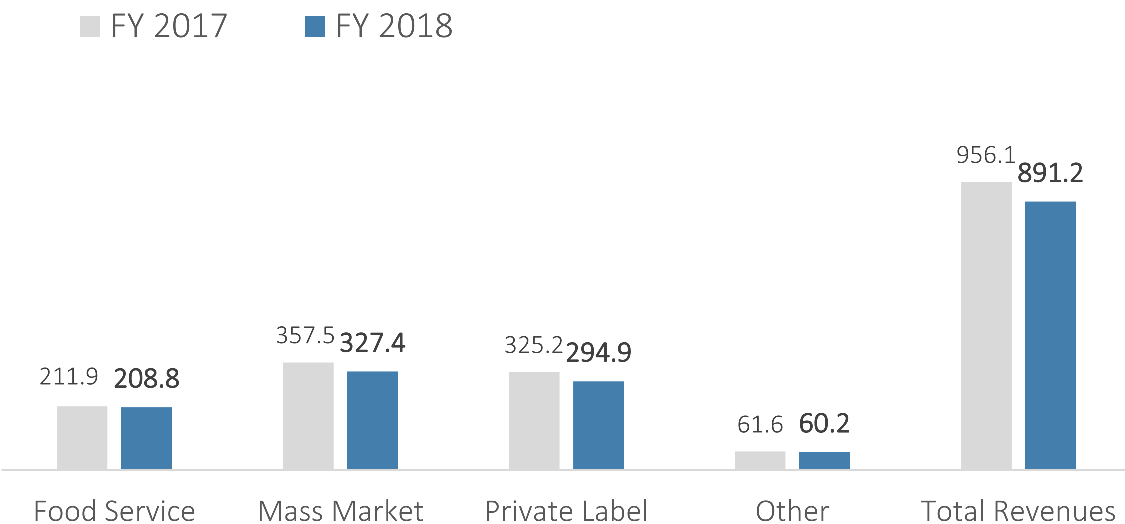
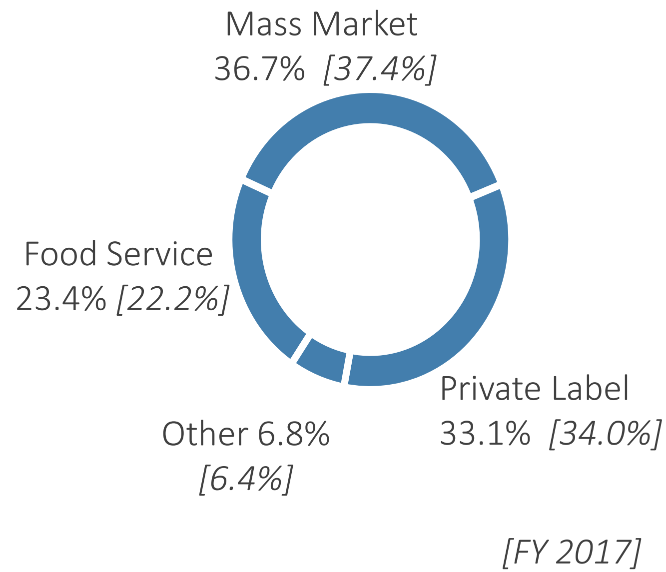
REVENUES BY CHANNEL



-1.4%	-8.4%	-9.3%	-2.2%	-6.8%
+0.2% comparable basis*	**-5.4% comparable basis***	**-5.7% comparable basis***	**+0.2% comparable basis***	**-3.9% comparable basis***



- Revenues by channel, on a comparable basis, is linked to volume performance, as highlighted in the previous slide, and a slight reduction in selling prices, in particular in mass market and private label channels, as a consequence of the decrease in raw material cost

* *comparable basis: excluding FX and IFRS 15 impact* *(all datas are in Euro million)*

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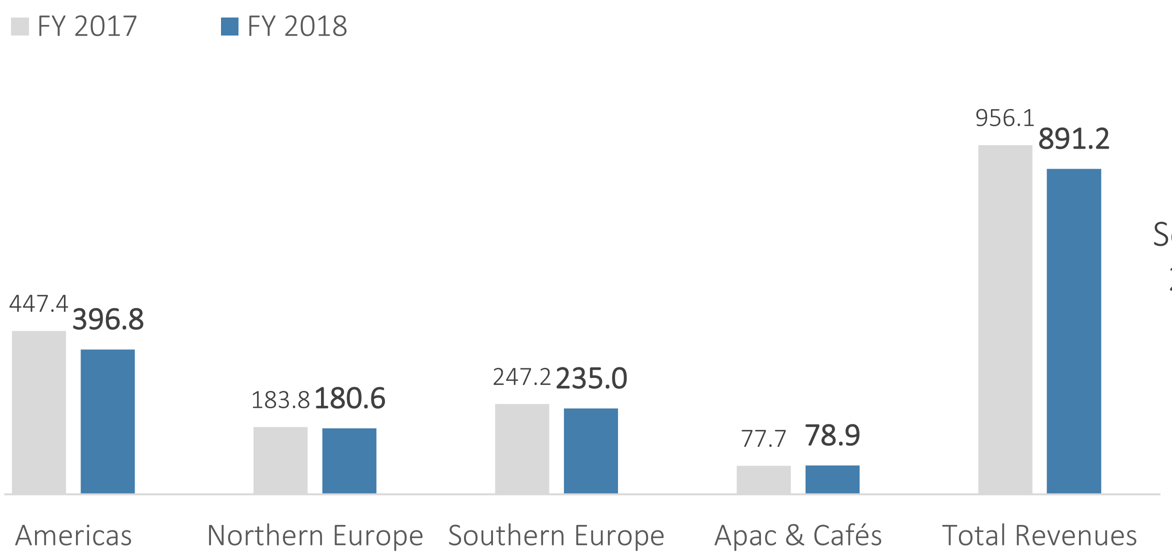
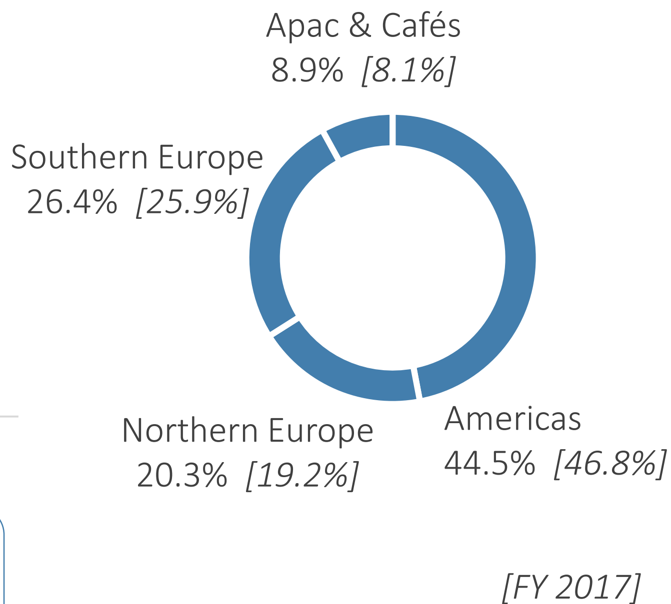
REVENUES BY REGION



Americas	Northern Europe	Southern Europe	Apac & Cafés	Total Revenues
-11.3%	-1.8%	-4.9%	+1.5%	-6.8%
-6.5% comparable basis*	**-2.5% comparable basis***	**-2.8% comparable basis***	**+4.2% comparable basis***	**-3.9% comparable basis***



- Americas: -6.5% on a comparable basis is explained by the Mass Market and Private Label channel while Food Service is growing
- European performance is mostly explained by the price mix, as a result of the decrease of the raw material cost
- Apac & Cafés: +4.2% on a comparable basis showing a solid growth of foodservice

** comparable basis: excluding FX and IFRS 15 impact* *(all datas are in Euro million)*

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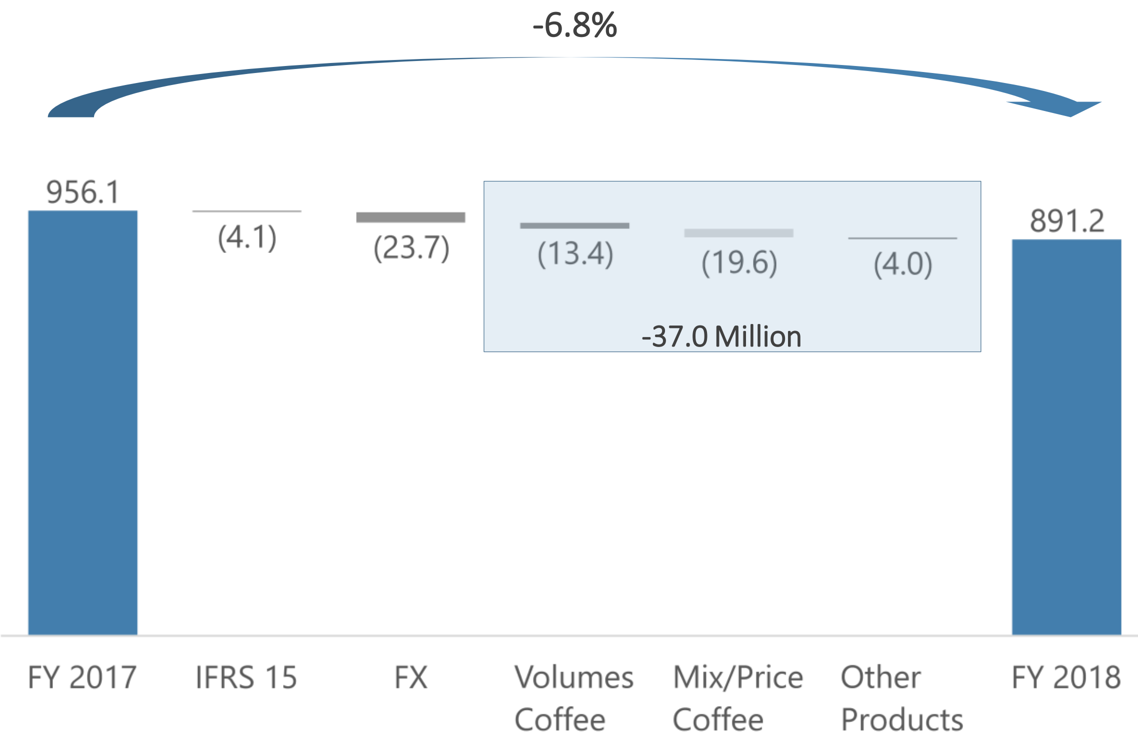
REVENUE BRIDGE



The performance on a comparable basis* was a decline of 3.9% (37.0 million) due to:

- decline in volumes for Euro 13.4 million;
- price mix for Euro 19.6 million as a result of the decrease in raw material cost;
- other products decreasing Euro 4.0 million.

FY 2018 revenues decreased Euro 64.9 million (-6.8%):

- FX fluctuation negative impact for Euro 23.7 million
- on a comparable basis the decrease was 37.0 million (-3.9%)*

** Comparable basis: excluding FX and IFRS 15 impact*

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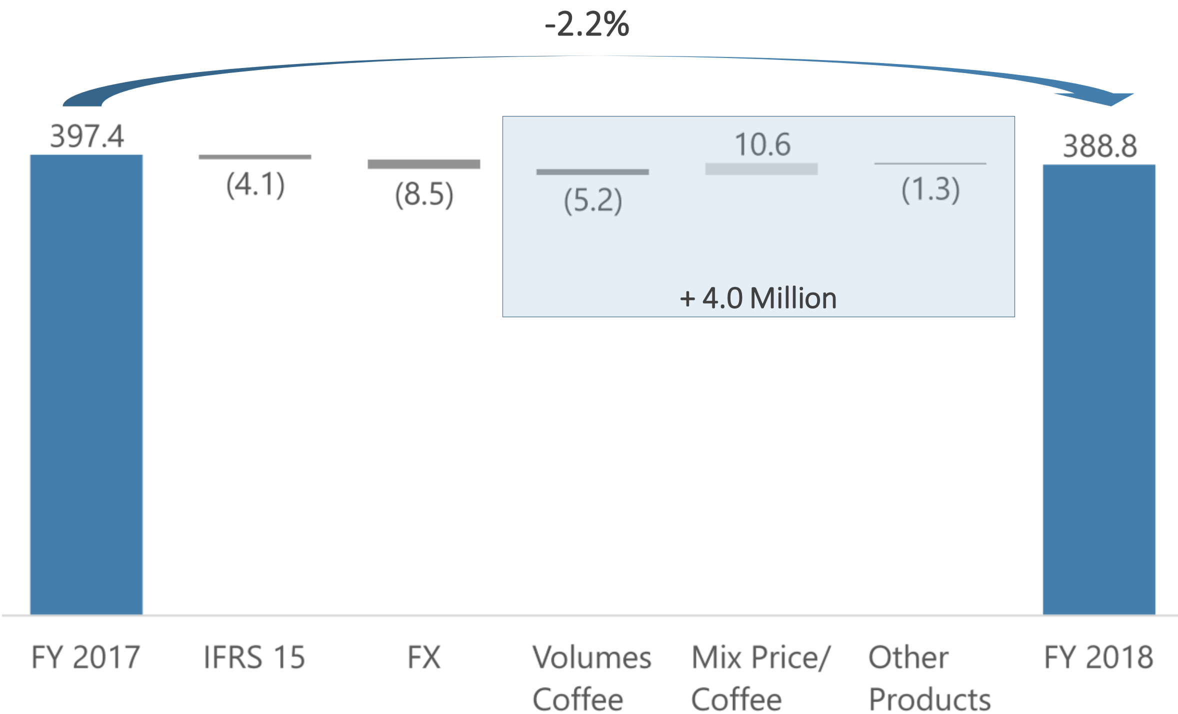
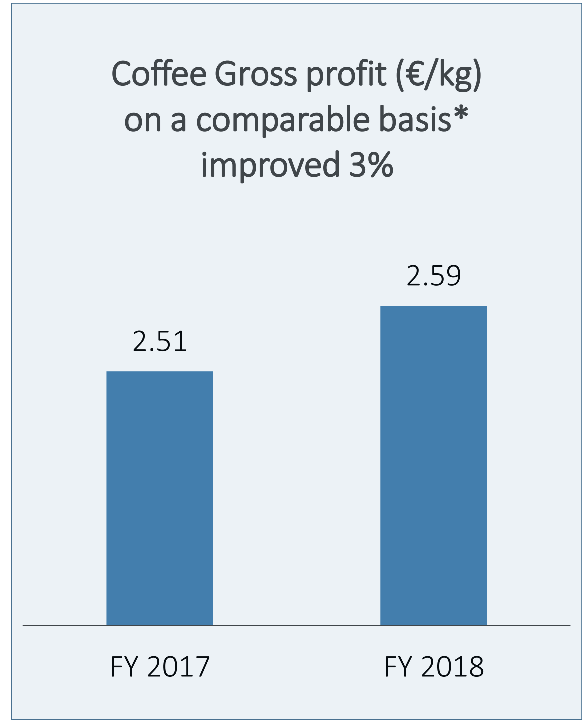
GROSS PROFIT





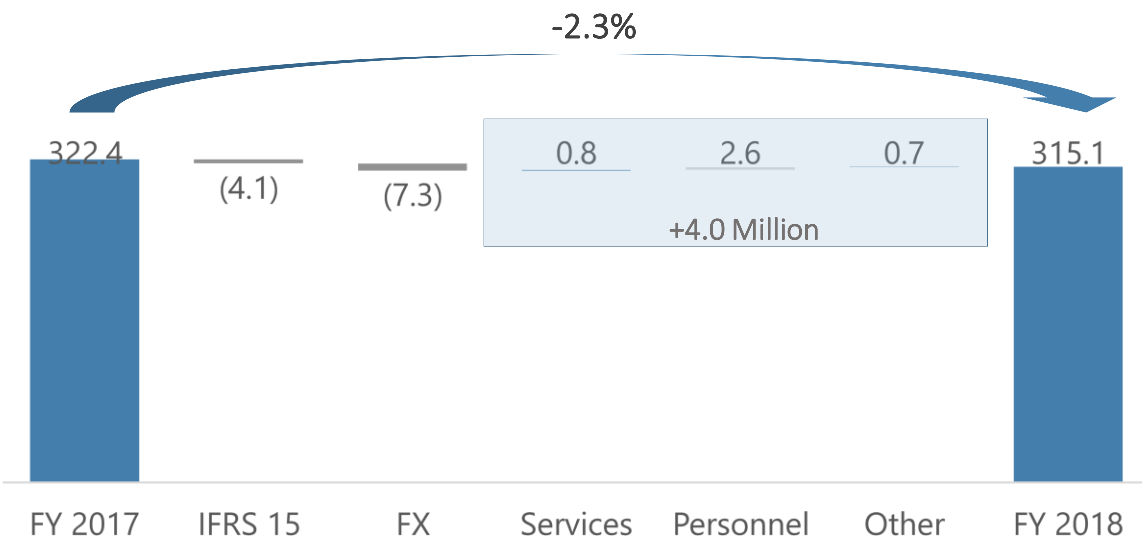
Gross Profit decreased by Euro 8.6 million (-2.2%):

- FX negatively affecting by Euro 8.5 million
- Gross Profit, on a comparable basis*, increased Euro 4.0 million

Gross Profit in % on Revenues increased 200 basis points (from 41.6% to 43.6%%)

** comparable basis: excluding FX and IFRS 15 impact*

OPERATING EXPENSES



ORGANIC* OPERATING EXPENSES	FY 2017	FY 2018	Delta
Services	175.6	176.4	0.8
Personnel	142.7	145.3	2.6
Other costs	(0.1)	0.6	0.7
TOTAL	318.3	322.3	4.0

**Excluding the impact of FX and IFRS 15 and non recurring costs (figures in Euro million)*

Operating expenses decreased by Euro 7.4 million:

- FX positively affecting costs for Euro 7.3 million
- Organic operating expenses increased by Euro 4.0 million. This increase mainly reflects:
  1. growth initiatives: new subsidiary in China and new show room openings in Thailand and Indonesia
  2. strenghtening of the sales & marketing stucture in Northern Europe

The Group sustained non recurring costs for Euro 2.5 million mainly related to reorganization plans in Europe. In particular the Group implemented measures to reorganize the productive and logistics structure of the Portuguese subsidiary, aimed at increasing the efficiency and productive capacity of the local plant, to meet the growing European demand, in particular of the capsule sector.

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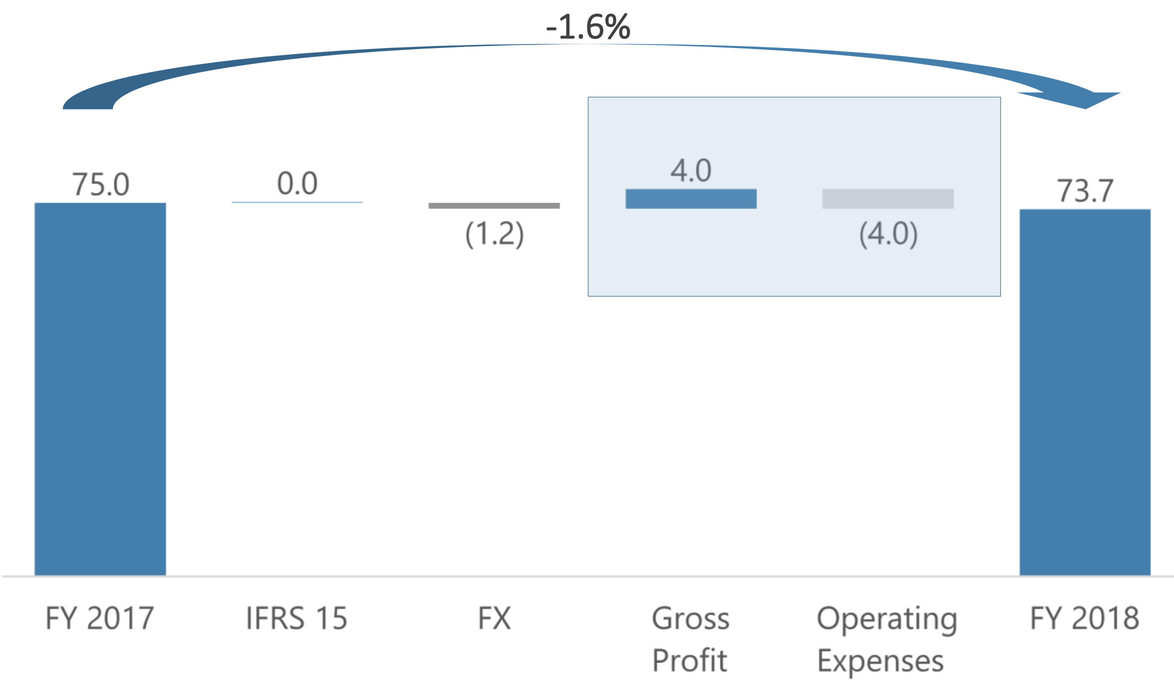
EBITDA adj



EBITDA adj reached Euro 73.7 million with the margin coming at 8.3% of revenues, an increase of 50 basis points

EBITDA adj <u>decreased by 1.6% (stable excluding FX):</u>

- Organic gross profit increased by Euro 4.0 million
- Organic operating expenses increased by Euro 4.0 million

Ebitda adjusted excludes non recurring items of Euro 2.5 million related to reorganisation undertaken in Europe in order to increase the efficiency of its business, as highlighted in the previous page

(all figures in Euro million)

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INCOME STATEMENT

Euro.million	FY 2018		FY 2017		Change	
Revenues	891.2	100.0%	956.1	100.0%	-64.9	-6.8%
Purchases of Goods	-502.4	-56.4%	-558.7	-58.4%	56.3	-10.1%
Gross Profit	**388.8**	**43.6%**	**397.4**	**41.6%**	**-8.6**	**-2.2%**
Services, leases and rentals	-174.1	-19.5%	-183.1	-19.2%	9.0	-4.9%
Personnel costs	-142.3	-16.0%	-145.6	-15.2%	3.3	-2.3%
Other operating cost	0.6	0.1%	1.8	0.2%	-1.2	-65.4%
Impairment	-1.7	-0.2%	-1.8	-0.2%	0.0	-1.4%
EBITDA	**71.3**	**8.0%**	**68.7**	**7.2%**	**2.6**	**3.8%**
Non recurring items	2.5	0.3%	6.3	0.7%	-3.8	-60.4%
EBITDA Adjusted	**73.7**	**8.3%**	**75.0**	**7.8%**	**-1.2**	**-1.6%**
D&A	-34.9	-3.9%	-36.9	-3.9%	2.1	-5.6%
EBIT	**36.4**	**4.1%**	**31.7**	**3.3%**	**4.6**	**14.6%**
Net finance income (costs)	-7.3	-0.8%	-8.0	-0.8%	0.7	-9.2%
Profit (loss) on equity consolidated companies	-0.9	-0.1%	-0.8	-0.1%	-0.1	11.7%
Profit Before Tax	**28.3**	**3.2%**	**23.0**	**2.4%**	**5.3**	**23.0%**
Income Tax expense	-8.4	-0.9%	-4.9	-0.5%	-3.5	72.1%
Tax rate	29.6%		21.1%			
Net Income	19.9	2.2%	18.1	1.9%	1.8	9.9%

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FREE CASH FLOW AND CHANGE IN NET WORKING CAPITAL

(Euro. M)	FY 2018	FY2017
EBITDA	73.7	75.0
Special Items (Cash effect)	(4.2)	(2.8)
Change in NWC	(3.5)	10.5
CAPEX	(31.6)	(34.9)
Taxes	(8.3)	(6.0)
Others	2.6	1.7
FREE CASH FLOW	28.7	43.5

(Euro. M)	FY 2018	FY2017
Change in Inventories	(1.4)	(1.8)
Change in Trade Receivables	(0.8)	(8.7)
Change in Trade Payables	2.2	23.0
Change in Other Asset/Liabilities	(3.6)	(2.0)
Change in Net Working Capital	(3.5)	10.5

The Free Cash Flow generated Euro 28.7 million, compared with Euro 43.5 milion in FY 2017. This is mainly related to the Net Working Capital performance, as a result of:

- lower cash absorption from receivables
- lower cash generation from payables, which in 2017 benefited from an alignment, in America, to Group vendors payments terms

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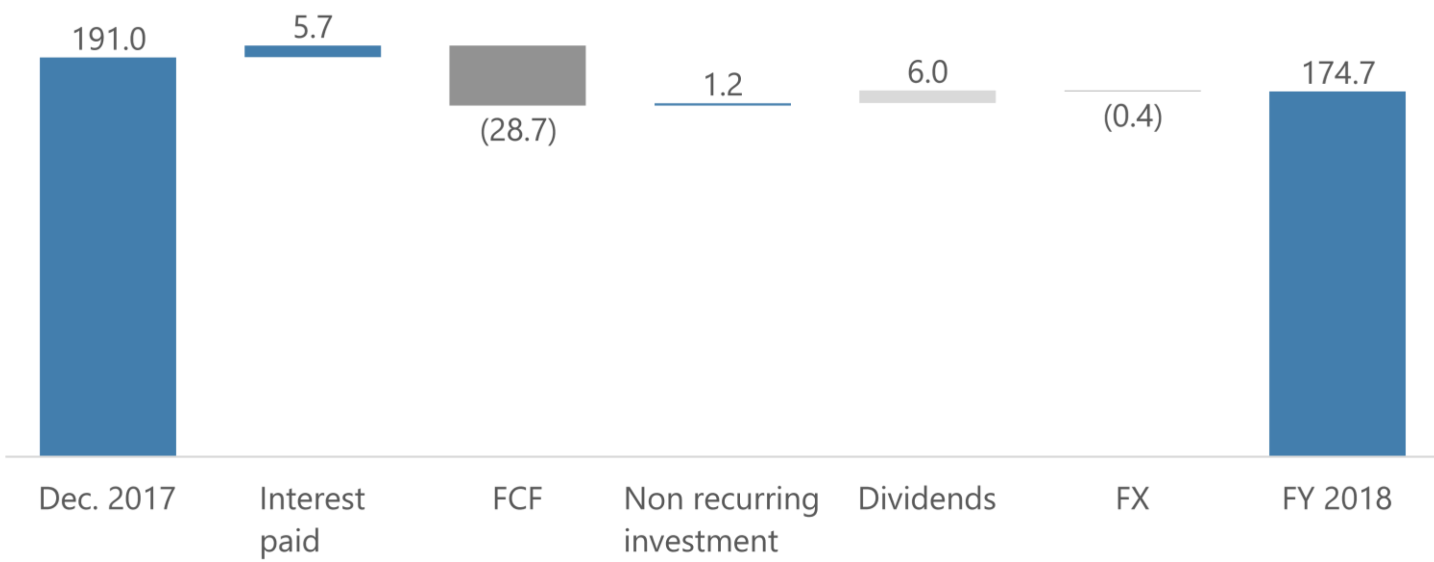
NET DEBT



Debt Profile	December 2017	December 2018
Fixed Interest Rate	45%	49%
Variable Interest Rate	55%	51%
EURO	88%	89%
USD	12%	11%

(all figures in Euro million)

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OUTLOOK FOR FY 2019

In view of the results achieved in 2018 and considering current trends as well as assuming the absence of M&A, management expectation for 2019 is:

- a slight increase in revenues* driven by:
  - the improvement in product and channel mix
  - growth in volumes in line with market trends
- EBITDA *adjusted** increase of approximately 3% - 5%
- taking into account the extraordinary transactions already announced in the first quarter of 2019, Net Debt is expected to be around Euro 195 million

** at constant exchange rates.*

These forecasts exclude the impact of the application of IFRS 16.

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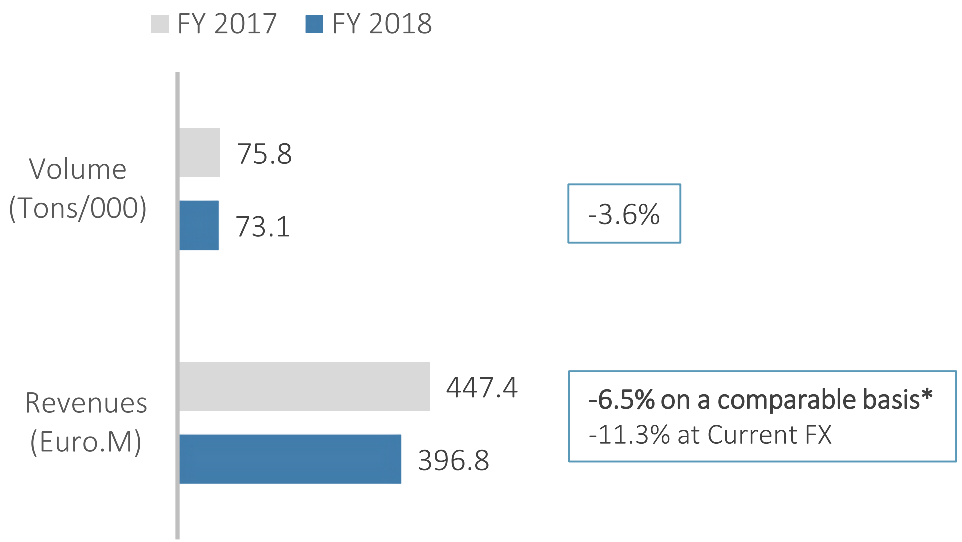
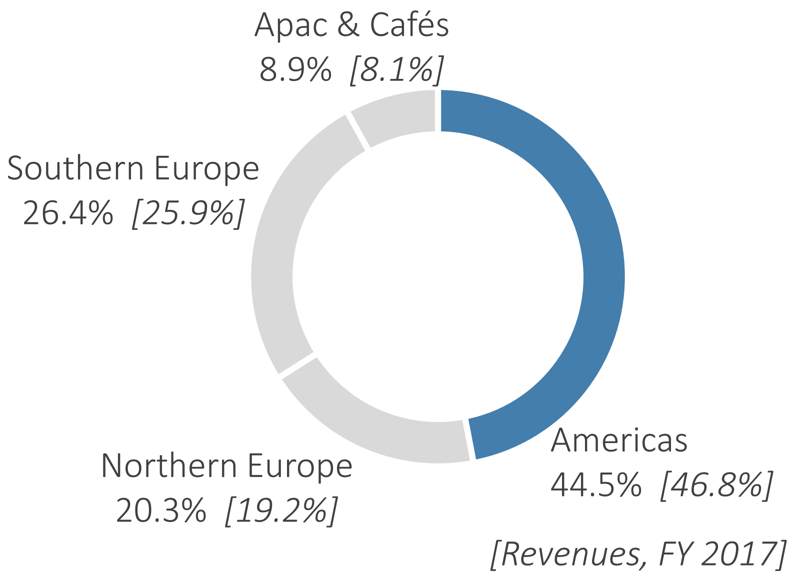
ANNEX


CAFÉ
SAN MARCO
Vous en avez assez de consommer des capsules qui impactent notre environnement ? Vous avez le sentiment de polluer, chaque jour, un peu plus la planète ? Aujourd'hui, votre consommation peut avoir un impact positif. C'est pour cela que San Marco a inventé
la 1ère capsule de café
COMPOSTABLE, BIODÉGRADABLE
éco conçue, sans aluminium, sans emballage individuel tout en conservant tous les arômes de votre café, et compatible avec votre machine Nespresso®**.
N6
N8
PER AMORE DEL CAFFÈ.*
*Par amour du café
** Marque appartenant à un tiers n'ayant aucun lien avec Segafredo Zanetti France S.A.S. et Massimo Zanetti Beverage Group S.p.A.

FOCUS ON AMERICAS

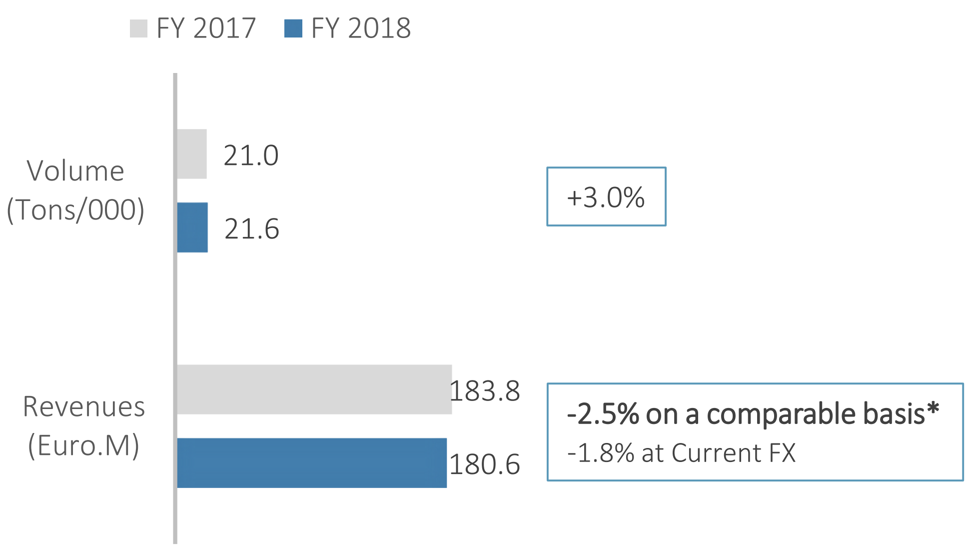


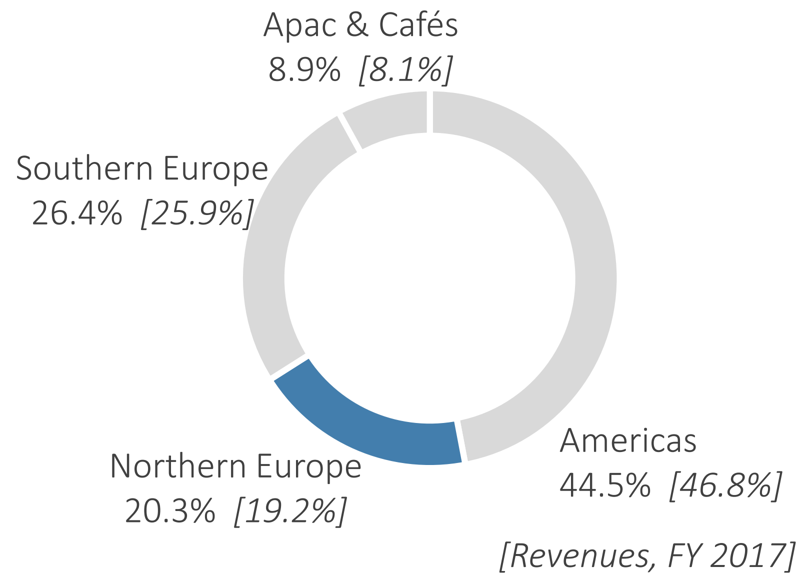


- Volume declines were experienced mainly in the Mass Market channel. Category weakness and intense competition in canned coffee accounted for 60% of the shortfall YoY. Softness was experienced also the Private label business within one large QSR customer. The Kauai Coffee is up mid teens.
- Food Service branded volume in the U.S. (and in particular the Segafredo Brand) is up low teens
- Revenue declines were a result of lower green costs being passed through to consumers and increases in promotional support to match competition
- Effective cost control and efficiency improvements drove savings across the region helping to offset volume weakness and competitive environment

** comparable basis: excluding FX and IFRS 15 impact*

FOCUS ON NORTHERN EUROPE

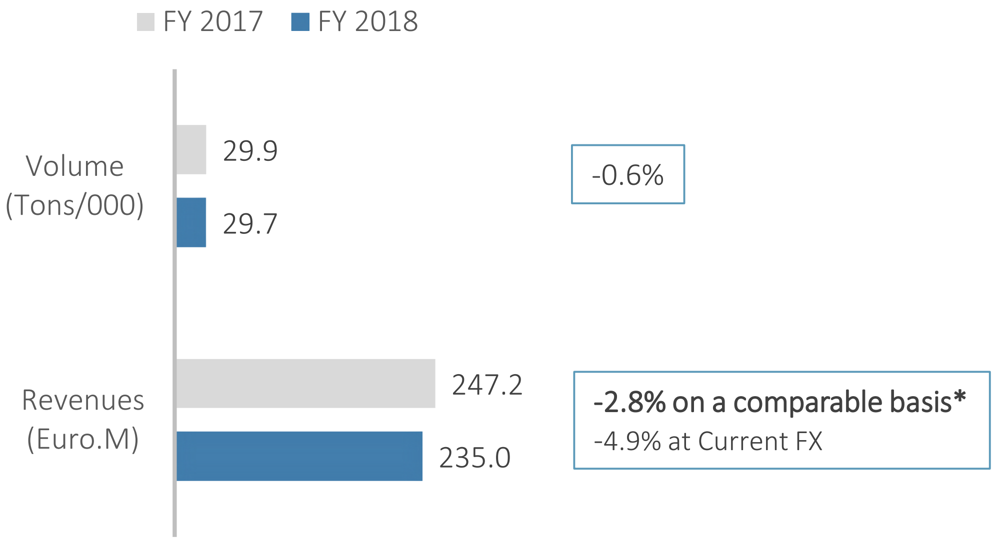


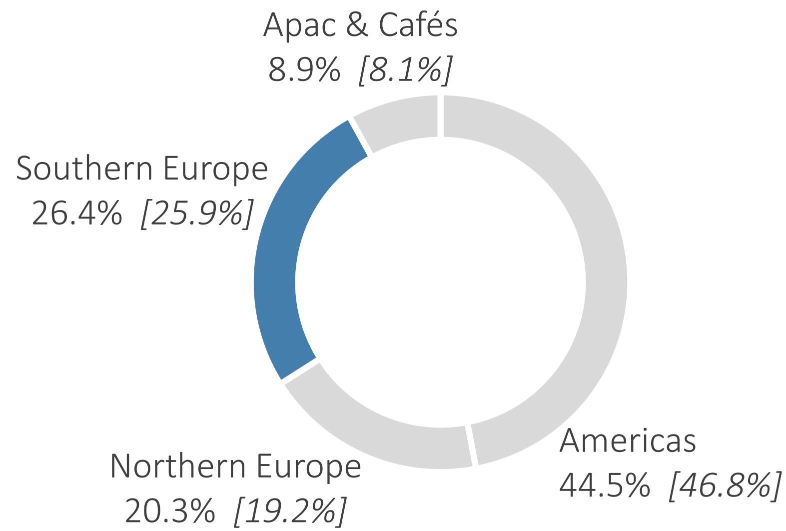


- Volume benefited from positive performance in particularly in Mass Market channel thanks to new products, distribution expansion and significant increase in media and promotion
- Sales performance reflects the competitive pressure deriving from lower raw material price. However the decrease was less than proportional and gross margin per kg improved in all channels
- Continued expansion in all markets of new premium products, particularly fair trade and organic products, are driving higher margins. In Finland Kulta Katrina is the leader in the organic segment; in the Netherlands SZ Organic and in UK Brodies Fair Trade and Organic continue to trend strongly
- Overall the share of premium products continues to expand, reflecting the strategy to improve the ASP and through innovation

** comparable basis: excluding FX and IFRS 15 impact*

FOCUS ON SOUTHERN EUROPE





[Revenues, FY 2017]

- Volume benefited from positive performance particularly in Mass Market channel. Sales performance reflects the competitive pressure deriving from lower raw material price. However the decrease was less than proportional and gross margin per kg improved in all channels
- In Italy the new commercial organization in Food Service is delivering according to plan: increased focus on high traffic/high visibility locations (shopping malls, city centres)
- France increased the assortment of San Marco with the launch, first on the market, of a range of organic, biodegradable, compostable Nespresso compatible capsules, recently awarded Product of the year 2019
- In February 2019 Massimo Zanetti Beverage Iberia has completed the acquisition of the Portuguese company Cafés Nandi SA, operating in the Food Service segment and owner of a production site adjacent to the current production site of the company that will enable the Group to double the current production capacity of the Portuguese plant.

** comparable basis: excluding FX and IFRS 15 impact*

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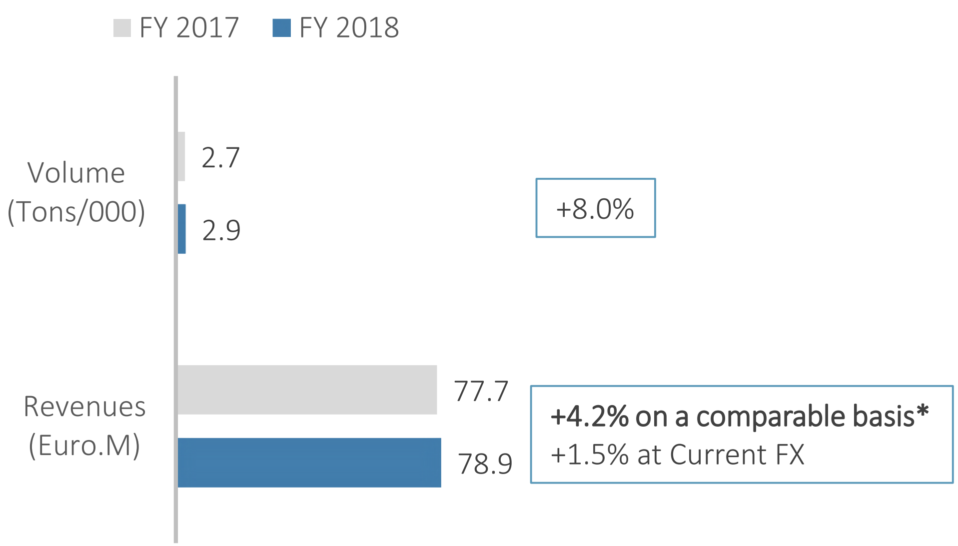
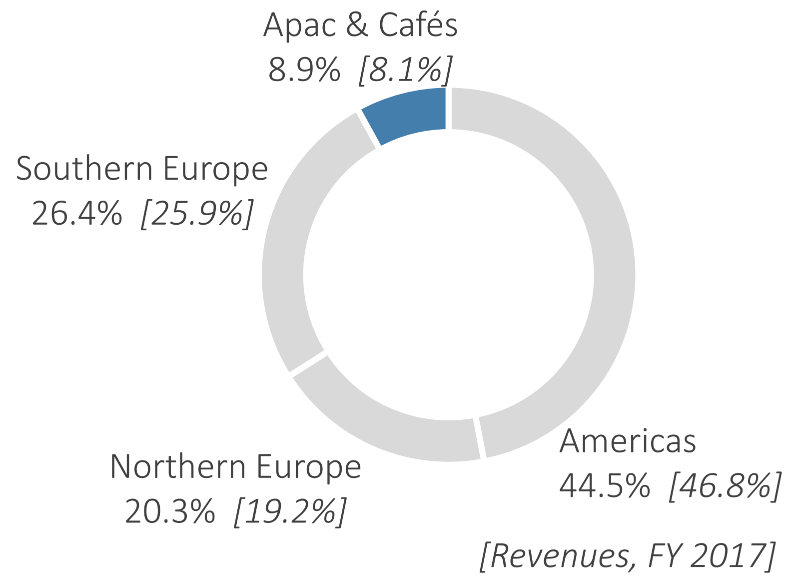
FOCUS ON ASIA PACIFIC AND CAFÉS

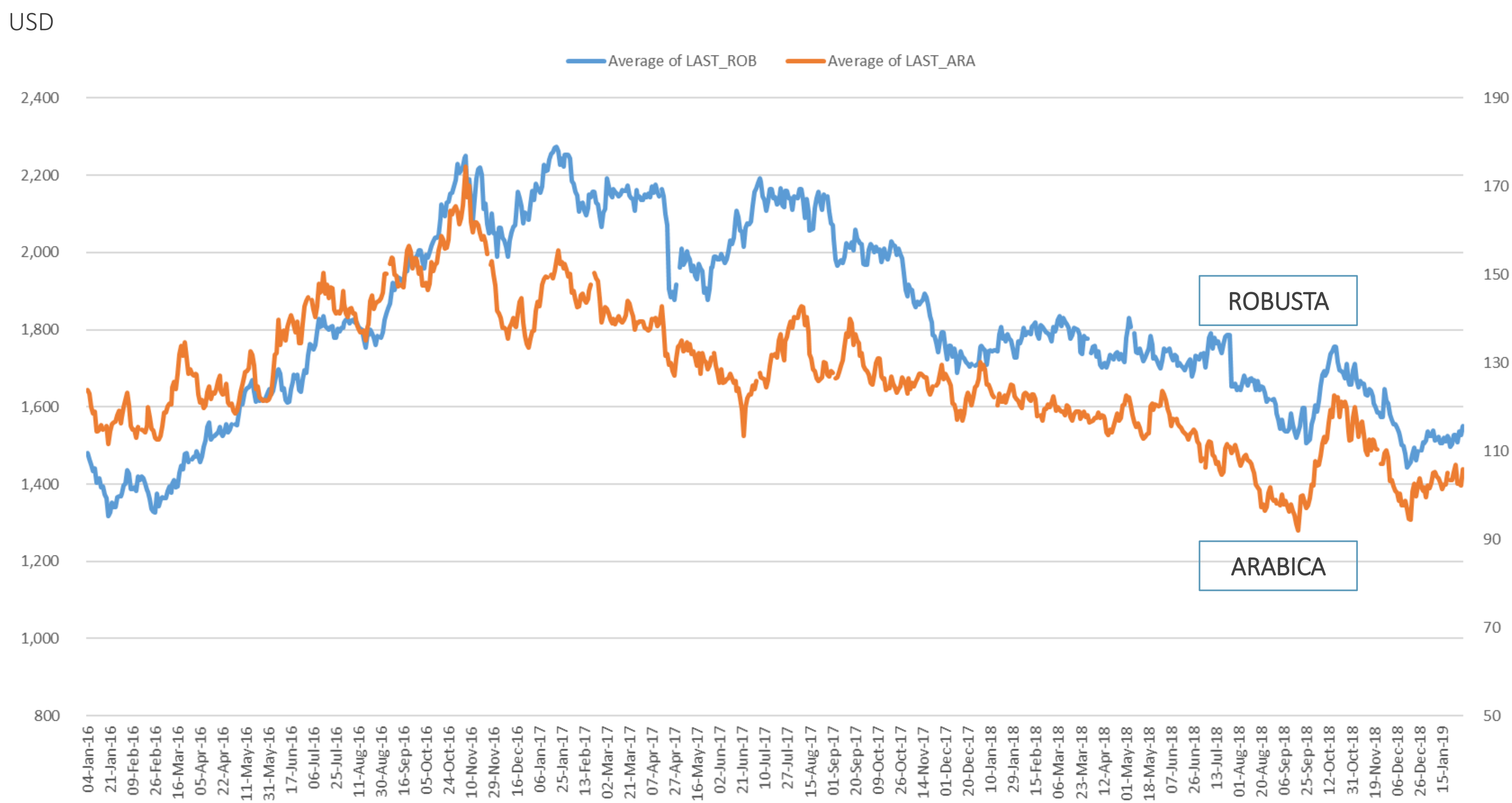




- Volume and sales increased in all distribution channels
- During 2018 the presence of the Group in APAC has been strengthened:
  - Boncafé China Limited has been incorporated in October. It is strategically located in Shenzhen, next to Guangzhou and Hong Kong and it represents an important step for the development in Asia.
  - 4 new show rooms have been opened in Thailand and one in Jakarta (Indonesia)
- On February 1, 2019 the Group has finalized the acquisition of the business and assets of "The Bean Alliance", an Australian group with a portfolio of premium brands. In fiscal year ended June 2018 The Bean Alliance reached AUD 24.5 million and normalized EBITDA was AUD 3.0 million.
- APAC main countries are: Thailand (around 33% of the sales of the region), Australia 14%, Japan 14%, Middle East 11%, Singapore 11%.

** comparable basis: excluding FX and IFRS 15 impact*

GREEN COFFEE PRICE



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ASSET & LIABILITIES

Euro.million	2018	2017
Intangible assets	182.8	183.2
Property, plant and equipment and investment properties	219.9	217.7
Investments in joint ventures and associates	10.4	9.6
Non current advances and trade receivables	2.5	3.1
Deferred tax assets and other non current assets	25.2	23.9
Non current assets	**440.8**	**437.6**
Net working capital	**94.4**	**92.2**
Employee benefits	(8.8)	(9.0)
Other non current provisions	(3.2)	(3.0)
Deferred tax liabilities and other non current liabilities	(29.9)	(25.9)
Non current liabilities	**(41.9)**	**(37.9)**
Net Invested Capital	**493.4**	**491.8**
Equity	318.6	300.9
Net debt	174.7	191.0
Sources of financing	**493.4**	**491.8**

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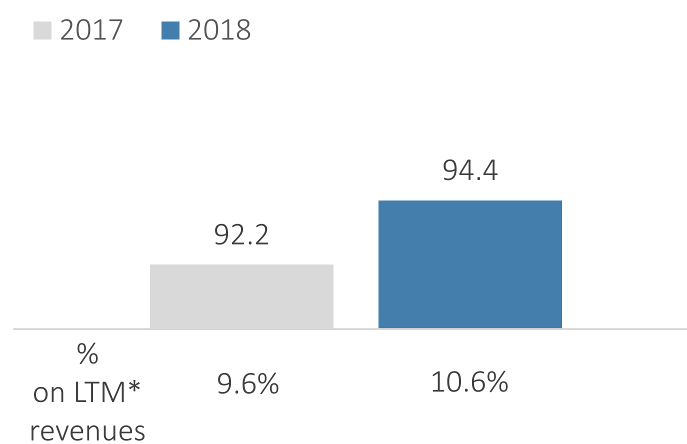
NET WORKING CAPITAL

Euro.million	**2018**	**2017**
Inventories	131.6	128.0
Trade receivables	120.8	123.4
Income tax assets	3.3	2.0
Other current assets	15.6	15.9
Trade payables	(144.3)	(139.3)
Income tax liabilities	(1.7)	(1.4)
Other current liabilities	(31.0)	(36.3)
Net working capital	**94.4**	**92.2**
% on LTM revenues	10.6%	9.6%

Net working capital
Euro.million



** LTM: Last Twelve Months*

CASH FLOW

Euro.million	2018	2017
EBITDA adj	73.7	75.0
Non recurring items paid	(4.2)	(2.8)
Change in Net Working Capital	(3.5)	10.5
Net recurring investments	(31.6)	(34.9)
Income tax paid	(8.3)	(6.0)
Other operating items	2.6	1.7
Free Cash Flow	**28.7**	**43.5**
Net non recurring investments	(1.2)	(3.4)
Investments in financial receivables	(1.4)	1.7
Interest paid	(5.7)	(6.5)
Net cash generated from financing activities	(12.0)	17.0
Dividends paid	(6.0)	(5.3)
Exchange gains on cash and cash equivalents	1.4	(2.6)
Net increase in cash and cash equivalents	**3.9**	**44.4**
Cash and cash equivalents at the beginning of the year	89.6	45.2
Cash and cash equivalents at the end of the year	**93.5**	**89.6**

NET DEBT

Euro.million		2018	2017
Cash and cash equivalent	A	(1.0)	(0.8)
Cash at bank	B	(92.5)	(88.8)
Securities held for trading	C	-	-
Liquidity (A+B+C)	**D**	**(93.5)**	**(89.6)**
Current financial receivables	**E**	**(3.7)**	**(2.3)**
Current loans	F	49.7	53.0
Current portion of non current loans	G	45.2	24.3
Other current financial payables	H	1.7	1.5
Current Indebtedness (F+G+H)	**I**	**96.6**	**78.7**
Net current indebtedness (I+E+D)	**J**	**(0.6)**	**(13.2)**
Non current loans	K	172.8	201.5
Issued Bonds	L	-	-
Other non current financial payables	M	2.5	2.7
Non current indebtedness (K+L+M)	**N**	**175.3**	**204.1**
Net debt (J+N)	**O**	**174.7**	**191.0**

IMPACTS FROM NEW ACCOUNTING STANDARDS (1/2)

IFRS 15

Under IFRS 15, an entity shall account for consideration payable to a customer as a reduction of revenue unless the payment to the customer is in exchange for a distinct good or service received from the customer and measured at fair value. Therefore, as of January 1, 2018, the Group has reclassified this type of consideration from “purchases of services, leases and rentals” to a decrease in “revenue”. The application of IFRS 15 have implied in 2018 a reclassification from “Purchase of services, leases and rentals” to “Revenues” of Euro 4,624 thousand.
The table below shows the effect of the application of IFRS 15 on December 31, 2018 revenues.

	For the year ended December 31, 2018		
(in thousands of Euro)	Reported Figures	Reclassification	Restated Figures
Foodservice	208,784	(188)	208,596
Mass Market	327,362	4,617	331,979
Private Label	294,875	195	295,070
Other	60,182		60,182
Total	**891,203**	**4,624**	**895,827**

	For the year ended December 31, 2018		
(in thousands of Euro)	Reported Figures	Reclassification	Restated Figures
Americas	396,794		396,794
Northern Europe	180,564	(1,168)	179,396
Southern Europe	234,950	5,792	240,742
Asia-Pacific and Cafés	78,895		78,895
Total	**891,203**	**4,624**	**895,827**

Under IFRS 15, contract assets and liabilities shall be presented separately in the statement of financial position. Therefore the Group has reclassified some contract assets and liabilities (e.g., the discounts granted to the Foodservice channel customers and advances from customers) which are currently included in “other current assets”, “other non-current assets” and “other current liabilities” and “other non-current liabilities”. For these assets and liabilities it has been given separate evidence of those related to “contracts” with customers, as shown in the following table.

IMPACTS FROM NEW ACCOUNTING STANDARDS (2/2)

(in thousands of Euro)	As of December 31, 2018		
	Reported Figures	IFRS 15	Data without the impact of IFRS 15
Asset			
Current and non-current contract assets	10,540	(10,540)	-
Other current and non-current assets	22,146	10,540	32,686
Liabilities			
Current and non-current contract liabilities	1,429	(1,429)	-
Other current and non-current liabilities	32,555	1,429	33,984

IFRS 9: Under the new impairment model applicable to financial assets, the accruals to the allowance for impairment are based on expected losses rather than on the losses already incurred as set out in IAS 39. The Group has applied the simplified approach envisaged by IFRS9 in order to asses the recoverability of its own trade receivables. The adjustment to the estimates done before, as shown in the following table with values as at January 1 2018, takes into account the default risk in trade receivables, through a differentiated " expected default rate" which is applied to classes of trade receivables homogeneous in terms of risk profile and maturity or, for those in arrears, in terms of the actions taken to recover the credit.

As at January 1, 2018 (in thousands of Euro and percentages)	Not due	Past due 1-90 days	Past due 91-180 days	Past due over 180 days	Total
Expected default rate(*)	1%	3%	20%	79%	17%
Current and non current trade receivables	93,281	22,453	3,637	27,852	147,224
Allowance for impairment of trade receivables	1,118	694	720	22,002	24,534

(*) Direct ratio between allowance for impairment of trade receivables and current and non current trade receivables. The percentage in the above chart represents the weighted average of the clusters identified by the group.

(in thousands of Euro)	As of December 31, 2017	IFRS 9 effect	As of January First 2018
Asset			
Current and non current trade receivables	126,481	(3,791)	122,690
Deferred tax assets and liabilities	10,244	821	11,065
Liabilities			
Retained earnings	166,443	(2,953)	163,490
Equity attributable to non-controlling interests	1,977	(17)	1,960

NOTE AND DISCLAIMER

Figures are reported under IAS/IFRS. Certain statements made in this presentation are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward looking statements. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Massimo Zanetti Beverage Group S.p.A. shares. Any reference to past performance is not a guide to future performance.

BOARD OF DIRECTORS

Chairman and CEO	Massimo Zanetti
Director	Matteo Zanetti
Director	Laura Zanetti
Director	Leonardo Rossi
Director	Massimo Mambelli
Director	Maria Pilar Braga
Indipendent Director	Sabrina Delle Curti
Indipendent Director	Mara Vanzetta
Indipendent Director	Giorgio Valerio

SHAREHOLDERS

M. ZANETTI INDUSTRIES SA	68.047%	23,339,963
Market	31.953%	10,960,037
Total N. of Shares	100.000%	34,300,000

2019 FINANCIAL CALENDAR - UPCOMING EVENTS

February 28	FY 2018
April 10	Shareholders meeting
May 9	First Quarter 2019
August 7	First Half 2018
November 7	Nine Months 2018

INVESTOR RELATIONS investors@mzb-group.com

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Pascal Héritier - Chief Operating Officer
Leonardo Rossi - Chief Financial Officer

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